

**IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE**

IN RE:)	
)	
PETITION OF TENNESSEE WATER)	
SERVICE, INC. FOR APPROVAL OF)	DOCKET NO. 17-00108
AN INTERIM EMERGENCY)	
WILDFIRE RESTORATION)	
SURCHARGE, INTERIM EMERGENCY)	
WATER SERVICE AVAILABILITY)	
FEE, EMERGENCY MAKE-WHOLE)	
SURCHARGE AND AN INTERIM)	
EMERGENCY OPERATIONAL COST)	
PASS-THROUGH MECHANISM)	
)	

**SECOND DISCOVERY REQUEST
OF THE CONSUMER PROTECTION AND ADVOCATE DIVISION
TO TENNESSEE WATER SERVICE, INC.**

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This Second Discovery Request is hereby served upon Tennessee Water Service, Inc. (Company), pursuant to Rules 26, 33, 34 and 36 of the Tennessee Rules of Civil Procedure and Tenn. Comp. R. & Reg. 1220-1-2-.11. The Consumer Protection and Advocate Division of the

Attorney General's Office (Consumer Advocate) requests that full and complete responses be provided pursuant to the Tennessee Rules of Civil Procedure. The responses are to be produced at the Office of the Tennessee Attorney General and Reporter, Consumer Protection and Advocate Division, UBS Tower, 315 Deaderick Street, 20th Floor, Nashville, Tennessee 37243, c/o Karen H. Stachowski, on or before 4:00 p.m. (CDT) October 31, 2017, or at such other time as may be ordered by the Hearing Officer in the adoption or approval of a procedural schedule in this TPUC Docket No. 17-00108 (this Docket).

PRELIMINARY MATTERS AND DEFINITIONS

These Additional Discovery Requests incorporate the same Preliminary Matters and Definitions as set forth in the *First Discovery Request of the Consumer Protection and Advocate Division to Tennessee Water Service, Inc.* sent to the Company on October 5, 2017, and are to be considered continuing in nature, and are to be supplemented from time to time as information is received by the Company which would make a prior response inaccurate, incomplete, or incorrect.

SECOND DISCOVERY REQUESTS

2-1. State whether the Company has applied for any grants, low-interest loans, governmental assistance, or any other subsidies or payments resulting from the Gatlinburg wildfires. If so, provide the details of each such application, including but not confined to the:

- a. Identity of the person with the Company responsible for each application;
- b. Name the entity to which the application was made;
- c. Date of the application; description of the application;
- d. Status of the application;
- e. Amounts received or to be received related the application; and

- f. Copies of each such application, documents submitted with the application or requested afterwards relating to the application and any responses received (if any).

RESPONSE:

2-2. Provide the capital budget supporting the requested \$300,000 of the Company's new plant additions broken down by project, including:

- a. Description and purpose of each project;
- b. Budget amount; and
- c. Budget assumptions, including any supporting documentation, for each project.

RESPONSE:

2-3. Referring to the Company's Response to CPAD #1-1, the Company states that it has no affiliate performing functions for it. However in its Response to CPAD #1-14, the Company identifies expenses that were allocated charges. Additionally in its Response to CPAD #1-47, the Company identifies a number of Utilities, Inc. (UI) employees as having knowledge of discoverable materials in this Docket. Referring to page 3, Section 6.(b) for the definition of "affiliate"¹ for purposes of the Consumer Advocate's Discovery Requests, is it the Company's

¹ **Affiliate** is defined as "any entity who, directly or indirectly, is in control of, is controlled by, or is under common control with the Company. For greater clarification, "control" is the ownership of 20% or more of the shares of stock entitled to vote for the election of directors in the case of a corporation, or 20% or more of the equity interest in the case of any other type of entity, or status as a director or officer of a corporation or limited liability company, or status as a partner of a partnership, or status as an owner of a sole proprietorship, or any other arrangement whereby a person has the power to choose, direct, or manage the board of directors or equivalent governing body, officers, managers, employees, proxies, or agents of another person. In addition, the term "Affiliate" shall mean any entity that directly or indirectly provides management or operational services to the Company or any affiliate (as defined in the preceding sentence) of the Company, or to which the Company provides management or operational services. Further, the payment of money to the Company or receipt by the Company of money from an entity with which the Company has any relationship, other than such payment or receipt, shall include the payor or recipient of such money as an "affiliate" for purposes of this Discovery Request." *First Discovery Request of the Consumer Protection and Advocate Division to Tennessee Water Service, Preliminary Matters and Definitions*, § 6(b), page 3.

contention that UI is not an affiliate of Tennessee Water? If yes, explain the basis for your position.

RESPONSE:

2-4. Referring to the Company's Response to CPAD #1-12, the Company states it does not utilize the "NARUC USOA for reporting services because it uses a JD Edwards accounting system." Pursuant to Tenn. Code Ann. § 65-4-111, the Tennessee Public Utility Commission (TPUC) identified the Uniform System of Accounts as adopted and amended by the National Association for Railroad and Utility Commissioners (sic) as the system of accounting to be followed by utilities under its authority. Water companies are specifically set out in TPUC Rule 1220-04-01.-11(g).

- a. Has the Company previously informed TPUC that it would not utilize the required system of accounting?
- b. If yes, what was TPUC's response to this notification?
- c. Identify each TPUC representative you notified and the Company representative who made the contact.
- d. Provide documentation evidencing this contact, the content of the communication and all responses from TPUC Staff (if any).
- e. Confirm or deny whether the Company is complying with instructions set forth in the NARUC approved water USOA.

RESPONSE:

2-5. Referring to the Company's Response to CPAD #1-16, the Company provided no response to this part of the question of "whether TWS or Utilities Inc., or any other affiliate intends to acquire such insurance to provide protection for similar events which may occur in the future."

Further, while TWS did object to this request “to the extent that it is still considering claim options and may submit a claim in the future”, this objection does not address plans for acquiring insurance. Provide a response to this part of the question and documentation to support the response.

RESPONSE:

2-6. Referring to the Company’s Response to CPAD #1-17, the Company states that “TWS does not have any business interruption insurance.” However, the Consumer Advocate requested this information of any affiliates, including Utilities, Inc.

- a. Provide a response to this part of the question and documentation to support the response.
- b. Provide copies of all business interruption insurance policies.

RESPONSE:

2-7. Referring to the Company’s Response to CPAD #1-21, the Company that “it anticipates that such a write-off [resulting from the 2016 wildfires] would be completed in October 2017.” Provide a copy of the accounting entry, identifying the plant balance and associated account and depreciation rate for any impaired asset. If such entry does not include a reversal of depreciation expense recorded associated with the impaired asset, provide the rationale for not making such entry. Provide a copy of all supporting documentation for the entry as soon as it becomes available.

RESPONSE:

2-8. Referring to the Company's Response to CPAD #1-22, the Company objected to the discovery request to the extent it calls for a legal conclusion. However, the Consumer Advocate's request does not call for a legal conclusion. Rather the Consumer Advocate is requesting a ratemaking/accounting conclusion about "at what point in time does TWS believe it will be appropriate to consider the associated service lines are no longer 'used and useful'" for customers that do not return to their former properties. Provide a response and documentation to support your response.

RESPONSE:

2-9. Referring to the Company's Response to CPAD #1-23, the Consumer Advocate referenced Paragraph 14 of the Company's Petition and requested it to identify the "capital system improvements prior to the 2016 Wildfires." Furthermore, the Consumer Advocate asked the Company to explain "why such project costs unrelated to the 2016 Wildfires should be incorporated into emergency rate relief." The Company provided the same list of projects as found in Bryce Mendenhall's Testimony² and the Company simply stated "the projects listed above are related to or were otherwise damaged because of the 2016 Wildfires." This response is confusing since the Consumer Advocate requested a list of the capital system improvement projects planned prior to the 2016 Wildfire and not a list of "costs incurred and projected to incur from damages sustained directly for the 2016 Wildfires"³ For example:

- a. In Mendenhall's Testimony, he states that the "'Emergency System Activation' were costs associated with getting the system back online immediately for customers who were unaffected by the 2016 Wildfires and needed water service."⁴ However the presence of this project on the list in response to CPAD # 1-23 means the Company has

² Mendenhall Pre-Filed Direct Testimony, page 3.

³ *Id.* at page 3, lines 5-6.

⁴ *Id.* at page 3, line 9 and page 4, lines 1-2.

identified it as a capital system improvement that was in the process of being implemented prior to the 2016 wildfire.

- i. Is it correct that the Emergency System Activation was a capital system improvement project planned prior to the 2016 wildfire?
 - ii. If not, explain its presence on this list.
 - iii. If it should not be on this list, update your response to reflect this correction and any other errors on this list.
- b. In Mendenhall's Testimony, he states that repairs to the interconnects with the municipal system of the City of Gatlinburg was "immediately necessary following the 2016 Wildfires." However the presence of this project on the list in response to CPAD # 1-23 means the Company has identified it as a capital system improvement that was in the process of being implemented prior to the 2016 wildfire.
 - i. Is it correct that the Gatlinburg Water Interconnect Repair was a capital system improvement project planned prior to the 2016 wildfire?
 - ii. If not, explain its presence on this list.
 - iii. If it should not be on this list, update your response to reflect this correction and any other errors on this list.
- c. Beyond the specified projects in CPAD #2-11a. and b. above, if there are other projects that should be removed from this list (because they were not previously planned), correct your project list accordingly and submit it to the Consumer Advocate.
- d. In its Response to CPAD #1-23(b), the Company merely provides a simple conclusory statement without any explanation or discussion on why previously planned capital improvement projects should be included in the emergency rate relief:
 - i. The Consumer Advocate requests that the Company provide a full and complete explanation for each project provided in the existing list or the updated list provided in response to CPAD #2-11c. above and any other subsequently identified.
 - ii. For example: (a) does the Fire Hydrant Replacements project simply replace fire hydrants damaged by the 2016 wildfire or does it include the cost of additional hydrants that did not exist⁵ prior to the wildfire? (b) If the cost of the project includes additional fire hydrants, explain why the Interim Emergency Wildfire Restoration surcharge should include this project rather than Tennessee Water addressing the additional capital cost in the next rate case.

⁵ It has been reported that Tennessee Water has added ten more fire hydrants to the development than existed prior to the wildfire. See <http://wkrn.com/2017/10/05/some-wildfire-survivors-homeowners-could-see-utility-rate-hike/>

- e. Does the Upper Storage Reservoir Reconditioning project include one or both of the ground storage tanks identified by the Company as not damaged by the wildfire?⁶ Again, if the cost of the project includes recoating inside and outside of storage tanks not damaged by the wildfire, explain why the emergency rate relief should include this expense rather than the Company addressing the additional capital expenses in the next rate case.
- f. Additionally if there are other such projects that should be removed from this list (because they were previously planned before the 2016 wildfires)?
 - i. Provide a correct project list and submit it to the Consumer Advocate.
 - ii. Provide the requested information from CPAD #1-23 for the corrected list.
 - 1. Associated costs and in-service dates. CPAD #1-23(a).
 - 2. Explanation of why such projects unrelated to the 2016 Wildfires should be incorporated into emergency rate relief that purportedly is due to the 2016 Wildfires. CPAD #1-23(b).

RESPONSE:

2-10. Referring to CPAD #1-36, the Company estimates legal fees and costs associated with the Petition to be \$50,000 and are to be amortized over three years.

- a. Provide invoices and other supporting documentation for the legal fees and costs incurred thus far in the Petition. This information should be broken down between fees and costs of internal personnel and those contracted from the outside.
- b. Explain why the Company is seeking amortization of its rate case costs estimated to be \$50,000 in this Docket when the Company amortized rate case costs of \$26,000 in rate case, Docket No. 09-00017⁷, over four years?

RESPONSE:

⁶ Exhibit E to the *Petition for Emergency Relief*. Tennessee Water stated to TPUC staff that the ground storage tanks were not damaged by fire but that Tennessee Water intended to recoat the inside and outside of the tanks.

⁷ *Order Approving Settlement Agreement*, TPUC Docket No. 17-00017. Exhibit 1, page 5, paragraph 14.

2-11. Referring to the Customer Notification filed with TPUC on October 24, 2017 which included a letter dated September 22, 2017 (Customer Notice Letter) and a notice in the Mountain Press newspaper (Newspaper Notice) date October 24, 2017, provide responses to the following:

- a. Was the Customer Notice Letter sent in envelopes identifying the sender as Utilities, Inc. rather than Tennessee Water? Provide a copy of the envelope used to mail the Customer Notice Letter.
- b. Will the Company be mailing a second letter to its customers of the change in the hearing date to December 12, 2017?
- c. In its Customer Notice Letter, what steps did the Company take to confirm the identities and contact information of its current customers so they could be provided notice of the rate change?
- d. How many people contacted the Company to inform it that they are no longer the owner?
- e. Identify the people who contacted the Company and the date of the notice they were no longer an owner. Did the Company
- f. What did the Company do in response to this information?
- g. How many Customer Notice Letters were returned to the Company as undeliverable?
- h. What steps were taken to reach the customers whose Customer Notice Letters were returned to the Company, and when were those steps taken?

RESPONSE:

2-12. Referring to the Customer Notification filed with TPUC on October 24, 2017, the Newspaper Notice simply states that customers “may also visit the TPUC website at <https://www.tn.gov/tpuc> and check the Active Docket Index for Docket No. 17-00108 to keep up to date on the filings.” This Newspaper Notice does not state that a copy of the proposed tariff changes and the reasons for those changes are on file with TPUC and are open for public inspection under TPUC Rule 1220-04-01-.05(2).

- a. Did the Company provide such a notification to its customers by a separate means than the Customer Notice Letter and Newspaper Notice?
- b. If yes, provide a copy of this public notice and explain how it was disseminated.

RESPONSE:

2-13. What steps has the Company taken to advise its customers of their ability to participate in the upcoming December 12, 2017 public hearing, including their ability to attend and provide oral comments, send emails and letters to TPUC or appear at the hearing? Provide documentation of this notice. If the Company provides such notice in the future, provide a copy of the notice.

RESPONSE:

2-14. Referring to the Proposed Tariff and the Newspaper Notice filed with TPUC on October 24, 2017, the amount of each proposed surcharge is set out differently in the two documents. It appears the Newspaper Notice informs the Company's customers of the proposed surcharge amounts as set out in the Petition but does not inform the Company's customers of the revised surcharge amounts as set out the Proposed Tariff. A summary of the differences are set out in the table below:

	Newspaper Notice	Proposed Tariff
Interim Wildfire Restoration Surcharge	\$3.78/month for all Customers	\$2.52/month for all Customers
Interim Emergency Water Service Availability Surcharge	\$6.77/month for all Customers	\$4.51/month for all Customers
Interim Emergency Make-Whole Surcharge	\$14.25/month for inactive customers	\$11.09/month for inactive customers

Provide responses to the following:

- a. Did the Company provide its customers notice of the changes in the proposed surcharge amounts between the Petition and the Proposed Tariff? If yes, provide a copy of this notice and explain how it was disseminated.
- b. If no the Company has not provides such notice, does the Company intend to provide notice to its customers of these changes in the proposed surcharge amounts? If yes, when the notice is issued provide documentation of this publication as soon as possible and explain how it was disseminated.

RESPONSE:

2-15. Referring to the Company's Response to CPAD #1-40, the Company states that "it will not continue to bill a customer after such time that a customer cancels his/her service account with TWS, although due to the assumptions being made about the hypothetical circumstance and without knowing what TPUC will ultimately approve, TWS reserves the right to modify this response accordingly."

- a. With the filing of the Company's Proposed Tariff on October 24, 2017, does the Company change its position as set out in its Response to CPAD #1-40 that a customer can cancel his/her service account and avoid the assessments of the Interim Make-Whole Surcharge, the Interim Wildlife Restoration Surcharge, Interim Water Service Availability Surcharge, and Interim Emergency Operational Costs Pass-Through Mechanism?
- b. If yes its position has changed, provide the authority to assess such charges to former customers of the Company and how the Company will collect such charges from former customers.

RESPONSE:

2-16. Referring to the Company's Response to CPAD #1-40, the Company states that "it will not continue to bill a customer after such time that a customer cancels his/her service account with TWS, although due to the assumptions being made about the hypothetical circumstance and

without knowing what TPUC will ultimately approve, TWS reserves the right to modify this response accordingly.” Provide responses to the following requests:

- a. What steps has the Company taken to advise its customers of their options regarding their water service so they may avoid paying charges? Provide copies of these contacts with its customers and explain how the contact was made.
- b. How has the Company trained its employees regarding how to inform customers of their options with regard to water service if their property has been destroyed?
- c. Provide documentation of such training such as training manuals, scripts, frequently asked question sheet, etc.

RESPONSE:

2-17. Referring to the Company’s Response to CPAD #1-40, the Company states that “it will not continue to bill a customer after such time that a customer cancels his/her service account with TWS, although due to the assumptions being made about the hypothetical circumstance and without knowing what TPUC will ultimately approve, TWS reserves the right to modify this response accordingly.” If TPUC approves the Company’s Petition, will the Company send notices to its customers before implementation of any approved surcharges advising the customers of their options regarding their water service so they may determine whether it is in their best interest to continue to be a customer?

RESPONSE:

2-18. Provide a copy of the Company’s monthly water bills from the City of Gatlinburg for service provided during the period of September, 2016 through September, 2017.

RESPONSE:

2-19. Provide documentation and calculation supporting the amount of water loss with the Gatlinburg Water Interconnect by month, for the period of October, 2016 through September, 2017. Include an explanation of the steps taken by the Company to address this loss.

RESPONSE:

2-20. Provide the water loss ratio calculation by year for the period 2014-2016.

RESPONSE:

2-21. Provide the Company's Quarterly Surveillance reports (TPUC form 3.07) for the following periods:

- a. Fourth Quarter 2014;
- b. First Quarter 2015;
- c. Second Quarter 2015;
- d. Third Quarter 2015;
- e. Fourth Quarter 2015;
- f. First Quarter 2016;
- g. Second Quarter 2016;
- h. Third Quarter 2016; and
- i. Fourth Quarter 2016.

RESPONSE:

2-22. Identify and provide the supporting calculation for all Allowance for Funds Used During Construction (AFUDC) rates applied to Construction Work in Progress since January, 2016.

RESPONSE:

2-23. Provide a thorough explanation how the Company applies the AFUDC rate to construction projects.

RESPONSE:

2-24. Does the Company or any of its affiliates, including but not limited to Utilities Inc., have property loss insurance?

- a. If not, provide a discussion of whether such insurance purchase has been considered and any available support for the decision not to purchase such insurance.
- b. If so, provide the following:
 - i. An overview of the insurance claim(s).
 - ii. The timing of the claim(s), including whether it has been submitted. If such a claim has not been submitted, identify the date that it is anticipated to be submitted.
 - iii. It has been approximately 11 months since the 2016 wildfires, explain why the Company has not yet filed such claims.
 - iv. Whether such insurance coverage is dependent upon a particular regulatory claim?
 - v. Provide a copy of the insurance policy(ies).
 - vi. The estimated reimbursement expected from the insurance coverage.

RESPONSE:

2-25. Provide the Company's monthly Operating statement for the periods July, 2016 through September, 2017. To the extent possible, such Operating Statement should be presented by revenue and expense category (including depreciation and Taxes Other than Income) consistent (to the extent possible) with the FERC Uniform System of Accounts major categories.

RESPONSE:

2-26. Provide a summary of the monthly depreciation expense calculation associated with the Company identifying the following:

- a. Asset type;
- b. Related depreciation rate by asset type;
- c. Accumulated depreciation balance by asset type; and
- d. Monthly depreciation expense calculation that ties to the financial records of the Company by asset type.

RESPONSE:

2-27. Provide all supporting workpapers for the update to the Make-Whole surcharge request as included in the tariff submittal of October 24, 2017.

RESPONSE:

2-28. Provide the following concerning the Company's recording costs to Account 610; Purchased Water Expense:

- a. Are such costs accrued each month to match the estimated or actual consumption within that particular month?
- b. If such costs are not accrued, are they based exclusively on invoiced costs from the vendor?

- c. If (b) is yes, explain whether costs recorded in a given month are related to the prior months' consumption.
- d. For the period January 2017 through June, 2017 indicate whether there are any:
 - i. Labor costs charged to Account 610.
 - ii. Costs allocated from UI charged to Account 610.
- e. Identify all water suppliers.

RESPONSE:

2-29. Provide the following concerning the Company's recording costs to Account 615;

Purchased Power Expense:

- a. Are such costs accrued each month to match the estimated or actual electricity used within that particular month?
- b. If such costs are not accrued, are they based exclusively on invoiced costs from the vendor?
- c. If (b) is yes, explain whether costs recorded in a given month are related to the prior months' consumption.
- d. For the period January 2017 through June, 2017 indicate whether there are any
 - i. Labor costs charged to Account 615.
 - ii. Costs allocated from UI charged to Account 615.
- e. Identify the Company's electricity supplier.

RESPONSE:

2-30. In the Company's last rate case (TPUC Docket No. 09-00017), the Company incurred \$4,478 in insurance premiums. With respect to these costs, respond to the following questions:

- a. Were these costs incurred directly by the Company, or instead were such costs allocated from the parent of the Company?

- b. Identify the nature of the insurance coverage, including whether the insurance covered damages to assets.
- c. If such insurance covered assets, please identify the specific assets covered and any deductibles that applied.
- d. If such insurance covered was terminated at some point subsequent to 2009, provide the following information:
 - i. Date the insurance was terminated
 - ii. Justification for terminating the insurance

RESPONSE:

RESPECTFULLY SUBMITTED,



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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail or electronic mail upon:

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This the 27th day of October 2017.



Karen H. Stachowski